

# **EXHIBIT B**

## MELLON GROUP LLC

Honorable Jed S. Rakoff  
United States District Judge  
Southern District of New York  
500 Pearl Street  
New York, New 10007

Dear Honorable Judge Rakoff:

Please accept this as a letter in support of "Pete Petit", who is due to be sentenced before Your Honor on February 23, 2021. As more fully set forth below, I ask that Mr. Petit be placed on probation. Mr. Petit is 81 years old and suffers from bladder cancer. And I know that he would never intend to commit a crime; in fact, that is the last thing he would ever want to do.

I want to open with a quote from Albert Einstein, "If you can't explain something simply, you don't understand it well." I believe I understand the story of Mimedx and the chain of events that allowed these charges to unfold and end up in your Court Room, and I would like to explain it as simply as I can.

My name is Henry Mellon, and I am CEO of Mellon Group LLC, which invests in Private Equity. Mellon Group LLC was an investor in Mimedx from the very beginning, in 2006, two years before Pete Petit came into the picture and the company was a complete failure. Pete had recently sold three different successful companies and was about to retire. But instead, he was recruited by his old friend and original Mimedx founder, Steve Gorlin, to become the CEO of Mimedx in 2008. Mr. Gorlin knew that Pete's expertise in building a company was just what Mimedx needed to be successful. Pete immediately raised 5 million dollars for the company. Three million was Pete's own money. I like a guy who puts his money where his mouth is, so we invested more into Mimedx.

In the past 13 years that I have known them through the Mimedx investment, Pete Petit and Bill Taylor have only demonstrated that they are citizens of the highest integrity and honorability. Pete has always given back to the community in very significant ways. As an engineer, he is a problem solver. For example, when his second child tragically died of SIDS, he left his employment to create a specialized baby monitoring system in 1970, which is still in use today. It saves infant lives and prevents other families from enduring his family's pain. Bill, as I mentioned to you in a previous letter, recently was responsible for saving a nurse's leg from amputation at no cost to her family. These are individuals who are honest citizens who consistently put others before themselves. It has been an honor to watch them devote themselves to the Mimedx company.

1105 NORTH MARKET STREET  
SUITE 1800  
WILMINGTON, DE 19801  
302.351.8291

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In 2018, Mellon Group LLC owned 2.4 million shares of Mimedx, and we rode the share price up to \$18 a share over five years and then to down to \$1 a share in only a year. Why did the stock price plummet so quickly when revenue was consistently growing at greater than 25% a year, every year, for 7 years? Because I truly believe Pete Petit and Bill Taylor and Mimedx were the victims of Wall Street and the greedy hedge funds who have learned to beat the system through Illegal Naked Short Selling.

Today, the SEC is hopefully being forced to look into this phenomenon known as Illegal Naked Short Selling after turning a blind eye for years. As you know from the news, GameStop, AMC, and Koss are a few examples of companies that have been shorted illegally. I make this accusation because GameStop had 260% of its available shares to trade ("float") shorted, according to SEC filings. Melvin Capital had 101% of their float short. It is legally impossible to short more than 100% of a company's stock float. In order to short a company's stock, you need a "Locate", which is an approval from a broker prior to a short sale that indicates there are shares available to short. This Locate is granted from what is known as the DTC (Depository Trust Company). Guess who owns the DTC? Wall Street Brokerage Houses. So, this is equivalent to a fox guarding the hen house.

In the cases of Game Stop, AMC, Koss, and previously, such companies as Overstock.com and Mimedx, the trades were either given an inaccurate Locate or none at all. We will never know because the brokerage houses will not reveal the Locate, if any, that was given at the time of the trade. What we do know is the available float at different times from SEC filings. And we also know the percentage of outstanding stock from the SEC filings. Mimedx, for example, had a 110 million shares outstanding in 2018, but it is estimated that close to 40 million shares were shorted according to in-depth analysis by ShareIntel. We know from previous illegal short selling tragedies like Overstock and Mimedx, that issuing more short shares than are available leads to significant selling pressure and dramatic and immediate deterioration of the stock price. This is devastating to the companies, their shareholders and their boards.

Now allow me to take you back to January of 2018. Mimedx was presenting at a JPMorgan Healthcare Conference with record revenue of 326 million, up from 287 million in 2017. The company had 35 million in cash and had bought \$130 million worth of their own stock and was recognized as the fifth fastest public growing company in America. Remember, when Pete and Bill got involved, it was on the verge of bankruptcy. The stock price was at \$18 a share. Additionally, Mimedx was in negotiations with 3M to be acquired. It looked like Pete and Bill's grueling eighty hour work weeks were about to create a victory for Mimedx shareholders. 3M had over 90 of their people going through the Mimedx books, and was probably within 30 days of acquiring Mimedx.

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At this point in 2018, close to 40 million Mimedx shares were illegally shorted by Illegal Naked Short Sellers. These Short Sellers had been losing their shirts because the Mimedx stock price continued to rise under the fantastic leadership of Pete Petit and Bill Taylor even though the short sellers had been running a well thought out negative campaign to bring down the the price of this thriving company. The campaign had recruited three whistleblowers and employed Marc Cohodes (a well known short seller) to be their voice. They accused Mimedx of fraud without any evidence. The campaign continued, and soon the market responded based on these rumors alone, as the short sellers knew it would. Cohodes turned up the volume and wrote a 10-page letter to Mimedx auditors Ernst and Young who had never seen any evidence of wrongdoing in the 6 months they had been Mimedx's accounting firm. Cherry Beckert, the accounting firm for Mimedx for the previous 8 years, had also never found any suspicion of wrongdoing. In his letter to Ernst and Young, Cohodes told them they would be the next Arthur Andersen unless his allegations of fraud were investigated. Intimidated by Cohode's threats, Ernst and Young delayed the yearly Audit until an investigation could be completed. Mimedx stock price began to deteriorate over a 12-month period to one dollar in response to Cohodes's smear campaign, a campaign that was protected by the 1st Amendment. Frightened by the allegations, 3M dropped their acquisition proceedings and the Mimedx Board hired attorneys who advised them that they could go to jail unless all these allegations were investigated. Notably, the three whistleblowers who made such an impact were fired because it was discovered that they were illegally getting paid by a competitor. Please also note that the allegations from the DOJ were focused on three quarters in 2015. However, the allegations by the whistle blowers claimed channel stuffing in late 2016. The timelines don't even line up.

Now you have the fifth fastest-growing company in the US redoing their financials and restating their numbers in response to the short seller and Cohodes's allegations. Doubt had been cast on Mimedx's revenue. Keep in mind that Pete Petit and Bill Taylor did not think the restatement was necessary because they believed the numbers were sound. They were not frightened by the lies and false statements and they were running the company with a calm and cool head. However, the market was responding, just the way the short sellers wanted it to. Although painful, a restatement would prove to the market that Mimedx revenue and practices were legitimate. The attorneys and auditors advised the Board to remove upper management so they could have more control. The board, worried about liability, acquiesced to this request and fired Pete, Bill and 13 others.

The attorneys were now running the show. The board did not handle the situation as well as I would have expected. Unfortunately, when you invite new Auditors and the law firms of King and Spaulding, Sidley Austin and others into your company, it gets very expensive. To date, 162 million dollars has been spent over 2 1/2 years looking for any sort of wrongdoing. The Early Revenue Recognition charge doesn't hold up because it should have compounded to the next quarter. It didn't! It would have blown up on them. Just like Bernie Ebbers with MCI. If you cheat in 3 quarters, it's almost impossible to catch up. Not to mention that the days required for

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collection of the sales proceeds would grow, not shrink as they did in the case of Mimedx. What really happened is the lawyers and auditors had to justify their 162 million dollar billable hours. On the 1.1 billion in revenue examined by the auditors, all that came into question was 8.6 million of it? That justified the 1.8 billion in Market Cap Loss that occurred due to the unsubstantiated allegation? And the \$162 Million dollar investigation cost? Until this day, the board never focused on the real problem: The Naked Short Sellers that created the incendiary stage upon which this costly witch hunt played out.

Social Media, the First Amendment misapplied, and the Sally Yates doctrine have created a system today that can convict innocent people while professing to defend innocent people. Since the SEC has so far refused to investigate the illegal Naked Short Selling, the public has responded through Social Media by creating such sites as Reddit and Robin Hooders. These sites have discovered a way to expose these sorts of criminal activities and make money doing it. I wish they had been around to defend Mimedx because no one else was.

In closing, I would say, given the 40 million in losses Mellon Group has incurred through this investment, I want justice just as badly as anyone. But everyone is looking in the wrong places. The Mimedx board should have focused more on the real problem: The Naked Short Seller and held their ground. When the attorneys and auditors advised the Board to remove upper management, they created the perfect distraction for the board and the attorneys to continue to bleed Mimedx to this day. Marc Cohodes and the other short sellers knew this would happen as they had done it so many times before. They brought a company to its knees with false accusations and got rich doing so. It played out just as they knew it would, just as it had also worked when they systematically brought down Overstock.com, GameStop and Koss. Bill Taylor and Pete Petit and the shareholders of Mimedx are the victims in this terrible scenario. This is the simplest way I know how to convey this tragic situation to you.

I do hope you consider the above in connection with Mr. Petit's sentencing on February 23..

Respectfully submitted,



Henry Mellon